

# Fiscal Note

*Fiscal Services Division*



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**SF 2338** – Compressed Natural Gas Taxation (LSB 5791SZ)  
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Fiscal Note Version – As passed by the Senate Ways and Means Committee

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## **Description**

**Senate File 2338** revises the calculation that determines excise tax on compressed natural gas (CNG) used as special fuel. The calculation is amended to make CNG excise tax equivalent to the motor fuel tax by establishing a gallon equivalent. This Bill also creates a new calculation to determine liquefied natural gas (LNG) use as special fuel. The rates are set as follows:

- **Compressed Natural Gas:** A gasoline gallon equivalent of CNG is 5.66 pounds or 126.67 cubic feet measured at 60 degrees Fahrenheit. This gallon equivalent of CNG is taxed at 21 cents.
- **Liquefied Natural Gas:** A diesel gallon equivalent of LNG is 6.06 pounds, and is taxed at 22.5 cents.

## **Background**

Compressed and liquified natural gas are currently taxed using gallon equivalents. A gasoline gallon equivalent of CNG is 100 cubic feet at a temperature of 60 degrees Fahrenheit.

The Department of Revenue reports that \$52,700 in tax was collected for CNG using the current gallon equivalents.

## **Assumptions**

Consumption of CNG in Iowa has increased from 63,000 gallon equivalents in FY 2012 to 329,000 gallon equivalents in FY 2013. Taxes collected were \$10,100 and \$52,600, respectively. This fiscal note compares the current CNG equivalency formula to the formula proposed in **SF 2338**. This fiscal note does not project further change in CNG consumption.

## **Fiscal Impact**

The revision of the CNG excise tax formula will have a minimal fiscal impact on the Road Use Tax Fund. If applied to FY 2013 gallon equivalents, the proposed formula will increase revenue by \$1,900. In FY 2013, no tax was collected for LNG.

## **Sources**

Department of Transportation  
Department of Revenue

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/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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